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**GLENMARK PHARMACEUTICALS
S. R. O.
PRAGUE**

R E P O R T

**ON THE AUDIT
OF FINANCIAL STATEMENTS
AS AT 31 MARCH 2018**



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INDEPENDENT AUDITOR'S REPORT

To the Partner of

Glenmark Pharmaceuticals s. r. o.
limited liability company with registered capital of CZK 60.000.000
Registered Address: Praha 4, Hvězdova 1716/2b, Zip Code 140 78
Company Identification Number (IČ): 465 05 164

Auditor's Opinion

We have audited the accompanying financial statements of Glenmark Pharmaceuticals s. r. o (hereinafter also the "Company") prepared in accordance with accounting principles generally accepted in the Czech Republic, showing a balance sheet total of 1.725.204 thds. CZK and a loss of 183.584 thds. CZK. These financial statements comprise the balance sheet as at 31 March 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018 and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information presented in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. Managing Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material aspects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgements made on the basis of the other information.

This is a translation of the original Czech Auditor's Report on the accompanying financial statements. Therefore, in the event of any inconsistency between the English and the Czech version, the Czech version shall prevail.



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Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material aspects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, that the other information does not contain any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Managing Directors (hereinafter also "Company's statutory body") for the Financial Statements

Company's statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing in the notes to the financial statements, as applicable, matters related to going concern and using the going concern basis of accounting unless the Company's statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above mentioned regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's statutory body in the notes to the financial statements.
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- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's statutory body and regarding, among other matters, the planned scope and timing of the audit and our significant audit findings, including any significant deficiencies identified in the internal controls.

Grant Thornton Audit s.r.o.
Audit Firm
Praha 1, Jindřišská 16
Licence No. 085

Prague on May 25, 2018

Ing. Leoš Horváth
Auditor, Licence No. 2013
Managing Director

Ing. Hana Tomcová
Auditor, Licence No. 1722



BALANCE SHEET
in full scale
as of 31.3.2018
(in entire thousands CZK)

Identif. Code
46505164

Name and seat
of accountancy unit
Glenmark Pharmaceuticals
s r o
Hvězdova 1716/2b
Praha 4
14078

Denotation a	ASSETS b	Current accounting period			Previous acc period
		Brutto 1	Correction 2	Netto 3	Netto 4
	TOTAL ASSETS	2,405,371	- 680,167	1,725,204	2,011,738
A.	Amounts receivable for subscribed registered capital				
B.	Long-term assets	1,008,357	- 670,059	338,298	313,457
B I	Long-term intangible assets	711,777	- 531,842	179,935	164,610
B I 1	Research and development				
B I 2	Valuable rights (patents, licences and know-how)	631,522	- 524,952	106,570	141,754
B I 2.1	Software	734	- 265	469	342
B I 2.2	Other valuable rights (patents, licences and know-how)	630,788	- 524,687	106,101	141,412
B I 3	Goodwill				
B I 4	Other long-term intangible assets				
B I 5	Advances for intangible fixed assets and intangible fixed assets under construction	80,255	- 6,890	73,365	22,856
B I 5.1	Advances for long-term intangible assets				139
B I 5.2	Intangible fixed assets under construction	80,255	- 6,890	73,365	22,717
B II	Long-term tangible assets	288,193	- 138,217	149,976	148,847
B II 1	Land and structures	176,273	- 71,398	104,875	105,671
B II 1.1	Land	983		983	983
B II 1.2	Structures	175,290	- 71,398	103,892	104,688
B II 2	Plant and equipment	108,724	- 66,819	41,905	42,615
B II 3	Goodwill, incl market value increment				
B II 4	Other long-term tangible assets				
B II 4.1	Forests, orchards etc				
B II 4.2	Full-grown animals and their herds				
B II 4.3	Other long-term tangible assets				
B II 5	Advances for tangible fixed assets and tangible fixed assets under construction	3,196		3,196	561
B II 5.1	Advances for tangible fixed assets	1,196		1,196	411
B II 5.2	Long-term tangible assets in progress	2,000		2,000	150
B III	Long-term financial assets	8,387		8,387	
B III 1	Equity investments - group undertakings	8,387		8,387	
B III 2	Loans - controlled and controlling organizations				
B III 3	Equity investments - associated companies				
B III 4	Loans - associated companies				
B III 5	Other long-term securities and equity investments				
B III 6	Loans - other				
B III 7	Other long-term investments				
B III 7.1	Other long-term investments				
B III 7.2	Advances for long-term financial assets				

Denotation a	A S S E T S b	Current accounting period			Previous acc. period
		Brutto 1	Correction 2	Netto 3	Netto 4
C.	Current assets	1,204,226	- 10,108	1,194,118	1,489,050
C I	Inventories	73,468	- 9,622	63,846	118,576
C I 1	Materials	23,739	- 547	23,192	58,331
C I 2	Work-in-progress and semi-finished products	9,962		9,962	9,927
C I 3	Finished goods and goods for resale	39,064	- 9,075	29,989	49,615
C I 3 1	Finished goods	20,733	- 7,694	13,039	22,929
C I 3 2	Purchased goods for resale (inc. goods in transit)	18,331	- 1,381	16,950	26,686
C I 4	Young and other animals and their herds				
C I 5	Advance payments for inventories	703		703	703
C II	Receivables	1,036,119	- 486	1,035,633	1,334,798
C II 1	Long-term receivables	331,426		331,426	520,465
C II 1 1	Trade receivables				
C II 1 2	Inter-group receivables (controlled or controlling entity)				
C II 1 3	Inter-group receivables - significant influence				
C II 1 4	Deferred tax receivable	152,788		152,788	203,567
C II 1 5	Receivables - other	178,638		178,638	316,898
C II 1 5 1	Receivables from partners				
C II 1 5 2	Long-term advances granted	178		178	192
C II 1 5 3	Estimated receivables				
C II 1 5 4	Other receivables	178,460		178,460	316,706
C II 2	Short-term receivables	704,693	- 486	704,207	814,333
C II 2 1	Trade receivables	532,542	- 486	532,056	561,774
C II 2 2	Inter-group receivables (controlled or controlling entity)				
C II 2 3	Inter-group receivables - significant influence				
C II 2 4	Receivables - other	172,151		172,151	252,559
C II 2 4 1	Receivables from partners				
C II 2 4 2	Social security and health insurance				
C II 2 4 3	Due from state - tax receivables	11,174		11,174	4,716
C II 2 4 4	Short-term advances granted	1,169		1,169	2,988
C II 2 4 5	Estimated receivables	143,361		143,361	
C II 2 4 6	Other receivables	16,447		16,447	244,855
C III	Short-term financial assets				
C III 1	Equity investments - group undertakings				
C III 2	Other short-term financial assets				
C IV	Cash	94,639		94,639	35,676
C IV 1	Cash in hand				
C IV 2	Bank accounts	94,639		94,639	35,676
D I	Accruals	192,788		192,788	209,231
D I 1	Prepaid expenses	192,788		192,788	209,231
D I 2	Complex prepaid expenses				
D I 3	Accrued income				

Denotation a	EQUITY + LIABILITIES b	Current acc period 5	Previous acc period 6
	TOTAL EQUITY + LIABILITIES		
		1,725,204	2,011,738
A.	Equity	1,057,623	431,465
A I	Registered capital	60,000	60,000
A I 1	Registered capital	60,000	60,000
A I 2	Own shares/ownership interests (-)		
A I 3	Changes in registered capital		
A II	Premium and capital funds	2,444,705	1,634,963
A II 1	Share premium	18,587	18,587
A II 2	Capital funds	2,426,118	1,616,376
A II 2.1	Other capital funds	2,448,318	1,616,531
A II 2.2	Valuation differences from re-valuation of assets and liabilities (+/-)	- 22,200	- 155
A II 2.3	Differences from revaluation in transformation of companies (+/-)		
A II 2.4	Differences from transformation of companies (+/-)		
A II 2.5	Differences from valuation in transformation of companies (+/-)		
A III	Funds from earnings	8,529	8,529
A III 1	Other reserve funds	8,498	8,498
A III 2	Statutory and other funds	31	31
A IV	Retained profit or loss from prior year (+/-)	- 1,272,027	- 1,171,527
A IV 1	Retained earnings	308,647	308,647
A IV 2	Retained losses (-)	- 1,580,674	- 1,480,174
A IV 3	Other profit or loss from previous years (+/-)		
A V	Profit or loss of the current accounting period (+/-)	- 183,584	- 100,500
A VI	Approved advance profit distribution (-)		
B. + C.	Liabilities	667,581	1,580,273
B	Provisions	178,138	115,555
B I	Provision for pensions and similar liabilities		
B II	Provision for income tax		
B III	Provisions made according to special legal regulations		
B IV	Other provisions	178,138	115,555



Denotation a	EQUITY + LIABILITIES b	Current acc period 5	Previous acc period 6
C.	Liabilities		
C I	Long-term liabilities	489,443	1,464,718
C I 1	Issued bonds		124,135
C I 1 1	Convertible debentures and bonds		
C I 1 2	Other debentures and bonds		
C I 2	Liabilities to credit institutions		
C I 3	Long-term advances received		
C I 4	Trade payables		
C I 5	Long-term promissory notes		
C I 6	Inter-group payables (controlled or controlling entity)		124,135
C I 7	Inter-group payables - significant influence		
C I 8	Deferred tax payable		
C I 9	Liabilities - other		
C I 9 1	Payables to partners		
C I 9 2	Estimated payables		
C I 9 3	Other payables		
C II	Short-term liabilities	489,443	1,340,583
C II 1	Issued bonds		
C II 1 1	Convertible debentures and bonds		
C II 1 2	Other debentures and bonds		
C II 2	Liabilities to credit institutions		
C II 3	Short-term advances received		
C II 4	Trade payables	477,670	399,419
C II 5	Short-term bills of exchange payable		
C II 6	Inter-group payables (controlled or controlling entity)		933,424
C II 7	Inter-group payables - significant influence		
C II 8	Liabilities - other	11,773	7,740
C II 8 1	Payables to partners		
C II 8 2	Other short-term borrowings		
C II 8 3	Payables to employees	2,907	2,518
C II 8 4	Social security and health insurance payables	1,593	1,421
C II 8 5	Due to state - taxes and subsidies	515	377
C II 8 6	Estimated payables	6,728	3,417
C II 8 7	Other payables	30	7
D.	Accruals		
D I	Accrued expenses		
D II	Deferred income		

PROFIT AND LOSS STATEMENT - classification by types

in full scale
as of 31.3.2018
(in entire thousands CZK)

Name and seat
of accountancy unit
Glenmark Pharmaceuticals

Identif. Code
46505164

s.r.o.
Hvězdova 1716/2b
Praha 4
14078

Denotation a	TEXT b	Accounting period	
		Current 1	Previous 2
I.	Revenue from products and services	339,743	330,197
II.	Sales of goods bought for resale	804,008	818,224
*	Total sales	1,143,751	1,148,421
A.	Purchased consumables and services	1,152,963	901,803
A. 1.	Cost of goods sold	344,152	271,935
A. 2.	Consumables	240,405	168,028
A. 3.	Services	568,406	461,840
B.	Change in inventory of own production (+/-)	13,475	- 2,733
C.	Own work capitalized (-)		
D.	Staff costs	61,888	48,152
D. 1.	Wages and salaries	44,308	34,152
D. 2.	Social security, health insurance and other expenses	17,580	14,000
D. 2. 1.	Social security and health insurance expenses	14,407	11,332
D. 2. 2.	Other expenses	3,173	2,668
E.	Adjustments relating to operating activities	38,031	116,280
E. 1.	Adjustments to intangible and tangible fixed assets	52,751	98,765
E. 1. 1.	Depreciation and amortization of intangible and tangible fixed assets	65,513	63,520
E. 1. 2.	Impairment of intangible and tangible fixed assets	- 12,762	35,245
E. 2.	Adjustments to inventories	- 15,075	17,417
E. 3.	Adjustments to receivables	355	98
III.	Other operating revenues	79,754	9,861
III. 1.	Proceeds from disposals of fixed assets	1,965	237
III. 2.	Proceeds from disposals of raw materials	3	70
III. 3.	Other operating revenues	77,786	9,554
F.	Other operating expenses	195,962	145,894
F. 1.	Net book value of fixed assets sold	1,870	14
F. 2.	Net book value of raw materials sold	10	106
F. 3.	Taxes and charges	134	139
F. 4.	Provisions relating to operating activity and complex prepaid expenses	62,582	115,024
F. 5.	Other operating expenses	131,366	30,611
*	Operating profit or loss (+/-)	- 238,814	- 51,114

Denotation a	TEXT b	Accounting period	
		Current 1	Previous 2
IV.	Revenue from long-term investments - equity investments		
IV. 1.	Revenue from equity investments - group undertakings		
IV. 2.	Other revenue from equity investments		
G.	Cost of equity investments sold		
V.	Revenue from other long-term investments		
V. 1.	Revenue from other long-term investments - group undertakings		
V. 2.	Other revenue from other long-term investments		
H.	Expenses related to other long-term investments		
VI.	Interest revenue and similar revenue	14,991	7,319
VI. 1.	Interest revenue and similar revenue - group undertakings		
VI. 2.	Other interest revenue and similar revenue	14,991	7,319
I.	Adjustments and provisions relating to financial activity		
J.	Interest expense and similar expense	16,358	47,135
J. 1.	Interest expense and similar expense - group undertakings	16,358	46,395
J. 2.	Other interest expense and similar expense		740
VII.	Other financial revenues	162,008	23,715
K.	Other financial expenses	54,632	70,115
*	Profit (loss) from financial operations	106,009	- 86,216
**	Profit (loss) before tax (+/-)	- 132,805	- 137,330
L.	Income tax	50,779	- 36,830
L. 1.	Current tax		
L. 2.	Deferred tax (+/-)	50,779	- 36,830
**	Profit (loss) after tax (+/-)	- 183,584	- 100,500
M.	Transfer of profit or loss to shareholders/members (+/-)		
***	Profit (loss) for the accounting period (+/-)	- 183,584	- 100,500
*	Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. +	1,400,504	1,189,316

**STATEMENT OF
CHANGES IN EQUITY**

Year ended
31/3/2018
(in CZK thousand)

Glenmark Pharmaceuticals s.r.o.
Corporate ID 46505164

Hvězdova 1716/2b
14078 Praha

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 March 2016	60,000	1,647,520	8,529	308,647	-1,480,174	308,647	544,522
Distribution of profit or loss						-308,647	
Change in share capital							
Profit shares paid							
Profit share prepayments declared							
Payments from capital funds		-12,557					-12,557
Profit or loss for the current period						-100,500	-100,500
Balance at 31 March 2017	60,000	1,634,963	8,529	308,647	-1,480,174	-100,500	431,465
Distribution of profit or loss						100,500	
Change in share capital							
Profit shares paid							
Profit share prepayments declared							
Payments from capital funds		809,742					809,742
Profit or loss for the current period						-183,584	-183,584
Balance at 31 March 2018	60,000	2,444,705	8,529	308,647	-1,580,674	-183,584	1,057,623



oprávnění č. 0835

CASH FLOW STATEMENT

Glenmark Pharmaceuticals s.r.o.
Corporate ID 46505164

Year ended
31/3/2018
(in CZK thousand)

Hvězdova 1716/2b
14078 Praha

		Year ended 31/3/2018	Year ended 31/3/2017
P.	Opening balance of cash and cash equivalents	35,676	99,189
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z	Profit or loss before tax	-132,805	-137,330
A.1.	Adjustments for non-cash transactions	57,958	317,593
A.1.1.	Depreciation of fixed assets	65,513	64,117
A.1.2.	Change in provisions and reserves	35,100	172,111
A.1.3.	Profit/(loss) on the sale of fixed assets	-95	-211
A.1.4.	Revenues from profit shares		
A.1.5.	Interest expense and interest income	1,367	39,816
A.1.6.	Adjustments for other non-cash transactions	-43,927	41,760
A.*	Net operating cash flow before changes in working capital	-74,847	180,263
A.2.	Change in working capital	250,587	179,547
A.2.1.	Change in operating receivables and other assets	120,488	71,553
A.2.2.	Change in operating payables and other liabilities	90,726	107,994
A.2.3.	Change in inventories	69,805	
A.2.4.	Change in current financial assets	-30,432	
A.**	Net cash flow from operations before tax	175,740	359,810
A.3.	Interest paid		-740
A.4.	Interest received	2,679	2,625
A.5.	Income tax paid from ordinary operations		
A.6.	Received profit shares		
A.***	Net operating cash flows	178,419	361,695
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-72,441	-242,861
B.2.	Proceeds from fixed assets sold	1,965	237
B.3.	Loans and borrowings to related parties	120,315	
B.***	Net investment cash flows	49,839	-242,624
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	-1,001,082	-182,584
C.2.	Impact of changes in equity	831,787	
C.2.1.	Cash increase in share capital		
C.2.2.	Capital payments to partners		
C.2.3.	Other cash contributions made by partners	831,787	
C.2.4.	Settlement of loss by partners		
C.2.5.	Payments from capital funds		
C.2.6.	Profit shares paid		
C.***	Net financial cash flows	-169,295	-182,584
F.	Net increase or decrease in cash and cash equivalents	58,963	-63,513
R.	Closing balance of cash and cash equivalents	94,639	35,676
		0	0



1. GENERAL INFORMATION

1.1. Subject of activity

Glenmark Pharmaceuticals s.r.o., Company Registration No.: **46505164**, is a limited liability company, registered in the Commercial Register on May 6, 1992 at the Citi Court in Prague, Section C, insert 150331. The address of the Company's seat is Hvězdova 1716/2b, 140 78 Prague 4.

The main business activities of the Company are as follows:

- Distribution of pharmaceuticals and medical equipment
- Chemical analyses
- Manufacturing of infusion solutions
- Manufacturing of pharmaceutical preparations

On March 31, 2016 there was a transfer of a part of the business establishment called CZ distribution business and CEEHQ to Glenmark Pharmaceuticals Distribution s.r.o., headquartered Hvězdova 1716 / 2b, Nusle, 140 78 Praha 4, VAT ID 04727339, registered in the Commercial Register maintained by the Municipal court in Prague, section C, File 252762.

1.2. Ownership structure

Name of owner	Address	Ownership interest %
Glenmark Holding SA	La Chaux-de-Fonds, Chemin de la Combeta 5, Switzerland confederation	100%
Total		100%

As of March 31, 2018, shares of 20% or more of the company's registered capital are held:

Name	Address	Ownership interest	Equity (in ths EUR)	Profit from previous period (in ths EUR)
GLENMARK PHARMACEUTICALS SK, s. r. o.	Tomášikova 64 83104 Bratislava	100%	330	-680

Glenmark Pharmaceuticals s.r.o.

As of March 31, 2017, shares of 20% or more of the company's registered capital are held:

Name	Address	Ownership interest	Equity (in ths EUR)	Profit from previous period (in ths EUR)
GLENMARK PHARMACEUTICALS SK, s. r. o.	Tomášikova 64 83104 Bratislava	100%	-190	-654

Financial data is based on subsidiary's audited financial statements.

Glenmark Pharmaceuticals s.r.o is the part of Glenmark group, which has its consolidated financial statements prepared by the Glenmark Pharmaceuticals Ltd. (Glenmark House, B.D., Sawant Marg, Chakala, Off, Western Express Highway, Andherei (East), Mumbai – 400 099, India).

Financial result for the year ended March 31, 2017 was approved on September 12, 2017 and the profit of the company was transferred to the account retained earnings.

The Shareholder intends to transfer the loss of the year ended March 31, 2018 to accumulated losses.

1.3. Statutory representatives as of March 31, 2018

Oliver Henry Bourne	Since November 1, 2014
Andrzej Gondek	Since May 12, 2017
Achin Gupta	Since November 20, 2017
Taral Mayank Desai	Since February 7, 2018

On May 12, 2018, Jiří Havránek ceased to be statutory representative of the Company. The deletion from the Commercial Register was made on the same date.

Each executive acts independently on the company's behalf.

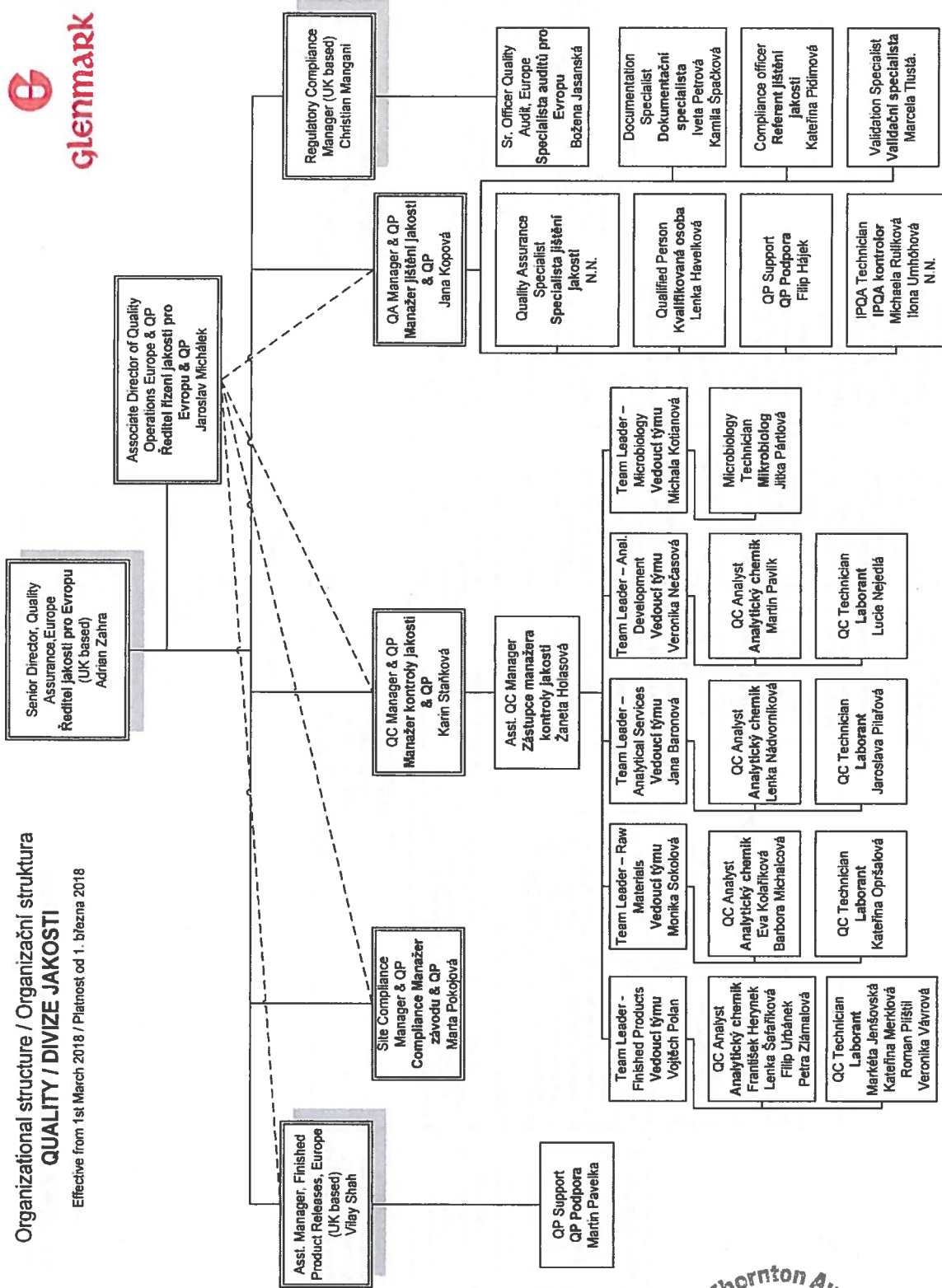




1.4. Organization chart of the company as of March 31, 2018

Organizational structure / Organizační struktura
QUALITY / DIVIZE JAKOSTI

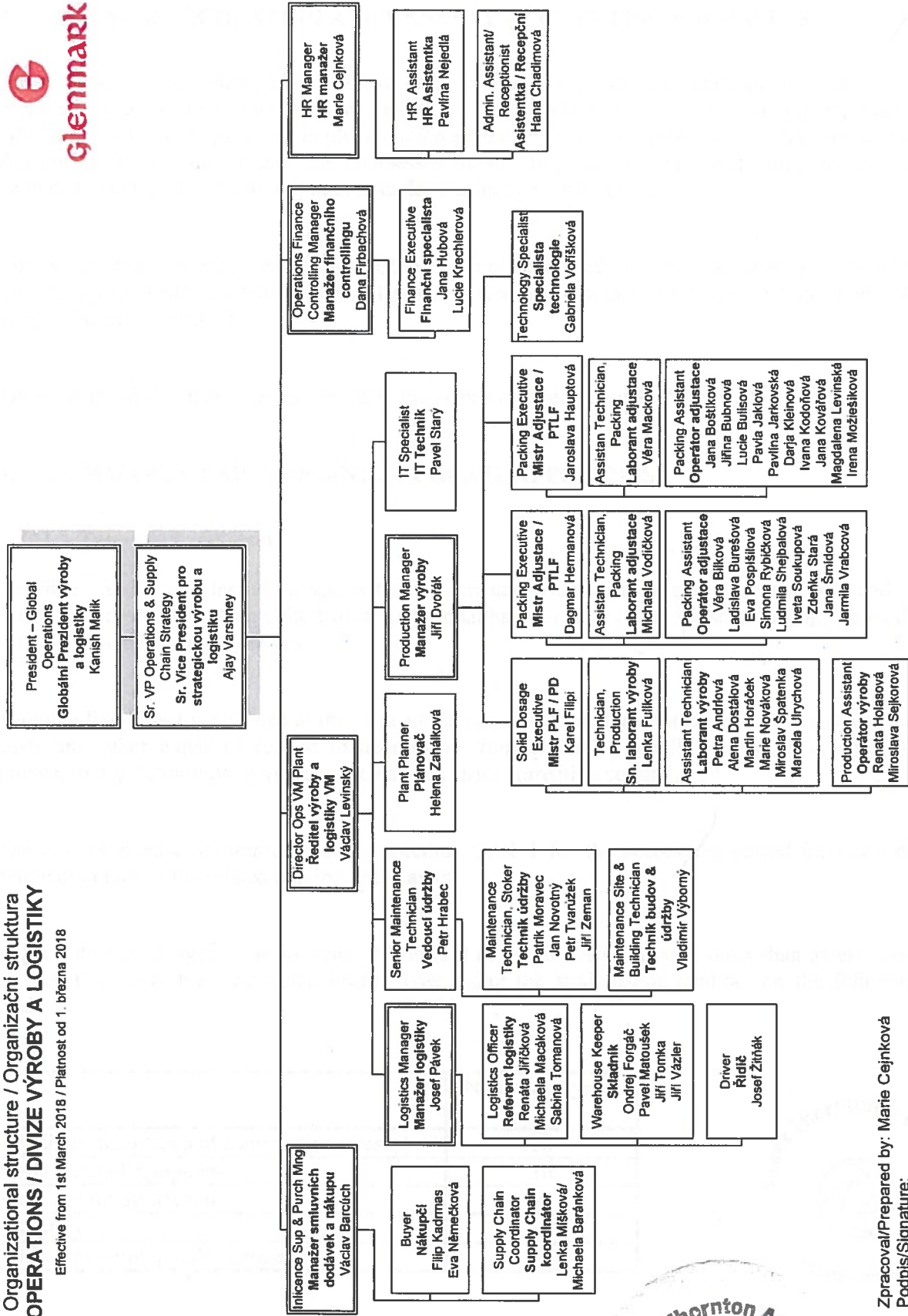
Effective from 1st March 2018 / Platnost od 1. března 2018



Zpracoval/Prepared by: Marie Cejnková
 Podpis/Signature:

**Organizational structure / Organizační struktura
OPERATIONS / DIVIZE VÝROBY A LOGISTIKY**

Effective from 1st March 2018 / Platnost od 1. března 2018



Zpracoval/Prepared by: Marie Cejnková
Podpis/Signature:

2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., as amended; the Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis, the accruals principle, the prudence concept and the going concern assumption.

These financial statements are presented in thousands of Czech crowns ('CZK').

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Tangible fixed assets

Tangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 1 on an individual basis or assets from finished leasing, where the useful life is greater than one year.

Tangible fixed asset is valued at the acquisition costs which include purchase price, transportation costs and other expenses related to acquisition. Impairment of tangible assets is captured by provisions for diminution in value in the balance sheet correction column.

The cost of fixed asset improvements exceeding CZK 1 for the accounting period increases the acquisition cost of the related tangible fixed asset.

Depreciation is charged so as to write off the cost of tangible fixed assets, other than assets under construction, over their estimated useful lives, using the straight-line method, on the following basis:

	Number of years
Buildings, facilities and construction sites	50
Machines and equipment	10
Means of transportation	4
Inventory	4
Other long-term tangible property	4



3.2. Intangible fixed assets

Intangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 1 on an individual basis. **Intangible fixed asset** is valued at the acquisition costs which include purchase price, transportation costs and other expenses related to acquisition.

Intangible fixed assets also include development activities with an estimated useful life greater than one year. Assets arising from development activities are capitalised only if utilised for repeated sale. They are valued at the lower of internal production costs and replacement cost. Intangible assets arising from research and development, software and valuable rights generated internally for the Company's internal needs are not capitalised.

Purchased intangible fixed assets are valued at cost less accumulated amortisation and any recognised impairment losses.

The cost of fixed asset improvements increases the acquisition cost of the related intangible fixed asset.

Intangibles include payments of fees related to the product registration process that are part of the cost of obtaining the product license.

Activation of long-term intangible property (licenses) occurs after the registration process is finished on behalf of the company upon the introduction of a product onto the market. The limit for activation of long-term intangible property is CZK 1.

Amortisation of licenses starts as of the activation date and lasts for 10 years in case of unlimited license rights. In situations of fixed period license agreements, the amortisation is over the period of the contract.

Amortisation of intangible fixed assets is recorded on a straight line-basis over their estimated useful lives as follows:

	Number of years
Software	5
Licenses	10

Impairment

Impairment of intangible fixed assets is recognised when the carrying value temporarily does not match the actual balance.

3.3. Financial Investment

Non-current financial assets principally consist of loans with maturity exceeding one year, equity investments, securities and equity investments available for sale and debt securities with maturity over one year held to maturity.

As defined by Section 25 paragraph letter f) of the Accounting Act, securities and shares are valued at the date (moment) of acquisition by using the acquisition prices. At the balance sheet date, they are revalued by the equivalence method.

At the balance sheet date, the Company records equity investments in subsidiaries and associates at the value established using the equity method of accounting. The equity investment recognised at cost on acquisition is revalued at the balance sheet date to reflect the value equivalent to the Company's proportion of a subsidiary's equity.

3.4. Inventory

Finished goods are valued at direct material costs, direct salaries and overhead costs. Merchandise is valued at acquisition costs. The acquisition costs mainly include purchase price, customs fees, storage costs and transportation costs if the items are transported. Work in progress is valued at direct costs. Inventory provision is created at 100% for items with expiry period less than 6 months from the balance sheet date and at 20 % for items without movement over 365 days. Provision is also created for the difference between accounting value and selling price less costs to sell (net realisable value).

3.5. Prepaid expenses

The company is posting on accounts prepaid expenses purchases of distribution rights for licenses from the company GPEL UK. Distribution rights are amortised over 10 years, starting when introducing product to the market.

3.6. Foreign currency translation

Transactions denominated in foreign currencies during the year are translated using the exchange rate of the Czech National Bank prevailing on the date of the transaction.

At the balance sheet date, the relevant assets and liabilities are translated at the Czech National Bank's exchange rate prevailing as of that date.

Realized and unrealized profits and losses resulting from exchange rates are calculated into revenues or costs for the regular year. In the financial statements are unrealized exchange rate losses and gains settled and realized exchange rate losses and gains as well and recorded in the Other financial expenses and Other financial revenues according to the actual balance.

3.7. Receivables

Receivables are initially recognised at their nominal value. When necessary they are reduced by appropriate provisions for doubtful and bad amounts. The provisions for receivables are created based on the aging structure of the receivables, including an individual evaluation of the borrower's credit worthiness

Impairment

Provision for accounts receivable which are overdue more than 360 days is based on the following rules:

Receivables overdue:	Provision %:
361 – 720	5
721– 1 080	50
1 081 a více	100

3.8. Trade payables

Trade payables are recognised at their nominal value.

3.9. Loans

Loans are recognised at their nominal value.

The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

3.10. Provisions for liabilities and charges

Provisions are intended to cover future risks and expenditure, the nature of which is clearly defined and which are likely to be incurred, but which are uncertain as to the amount or the date on which they will arise.

3.11. Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

3.12. Revenue Recognition

Revenue is measured at the value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts; value added tax and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

3.13. Taxes

3.13.1. Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets is calculated using the straight-line method for the tax purposes.

3.13.2. Current tax payable

Management of the Company has not recognised a tax payable and a tax charge based on its tax calculation due to tax losses which follows from its understanding of the interpretation of Czech tax legislation valid at the financial statements date and believes that the amount of tax is correct in compliance with the effective Czech tax regulations. Since various interpretations of tax laws and regulations by third parties, including state administrative bodies, exist, the income tax payable reported in the Company's financial statements may change based on the ultimate opinion of the tax authorities.

3.13.3. Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Deferred taxes are based on all temporary differences between the accounting and tax value of assets and liabilities using the enacted tax rate valid for the period in which these temporary differences will be settled.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the related deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet, except when partial tax assets cannot be offset against partial tax liabilities.

3.14. Interest costs

Costs related to credit and loans are booked directly on the expenses accounts.

3.15. Cash and cash equivalents

Cash equivalents represent short-term liquid assets from which a preset cash amount can be withdrawn easily and on demand.

3.16. Subsequent events

The impact of events that occurred between the balance sheet date and the date of financial statements is captured in accounting reports if these events have provided additional information about circumstances that existed at the balance sheet date.

If important events occurred between the balance sheet date and the date of financial statements due to circumstances that occurred after the balance sheet date, the consequences of those events are described in the notes to the financial statements, but are not reflected in the financial statements themselves.



4. ACCOMPANYING INFORMATIONS FOR BALANCE SHEET AND PROFIT AND LOSS STATEMENT

4.1. Intangible assets (ths CZK)

	Software	Valuable rights	Other intangibles	Total
Cost:				
Balance at 31.3.2017	511	625 299	29 246	655 066
Additions	223	7 493	58 725	66 441
Disposals		-2 004	-7 716	-9 720
Balance as at 31.3.2018	734	630 788	80 255	711 777
Accumulated amortisation and impairment:				
Balance at 31.3.2017	169	483 887	6 390	490 446
Amortisation charge for the year	96	56 068		56 164
Disposals		-2 005		-2 005
Impairment loss		-13 263	500	-12 763
Balance as at 31.3.2018	265	524 687	6 890	531 842
Carrying value at 31.3.2018	469	106 101	73 365	179 935

4.2. Tangible assets (ths CZK)

	Land and Buildings	Individual movable fixed asset	Other tangibles and assets under construction	Total
Cost:				
Balance at 31.3.2017	173 718	103 188	561	277 467
Additions	2 555	7 159	12 349	22 063
Disposals		-1 623	-9 714	-11 337
Balance as at 31.3.2018	176 273	108 724	3 196	288 193
Accumulated depreciation:				
Balance at 31.3.2017	68 047	60 573		128 620
Depreciation charge for the year	3 351	7 869		11 220
Disposals		-1 623		-1 623
Balance as at 31.3.2018	71 398	66 819		138 217
Carrying value at 31.3.2018	104 875	41 905	3 196	149 976

4.3. Inventories (ths CZK)

The company has performed physical inventory count and any identified differences were accounted as surplus and shortages.

4.4. Financial investment (ths CZK)

	Company	Balance at 31.3.2018	Balance at 31.3.2017
Equity share	GLENMARK PHARMACEUTICALS SK, s. r. o.	8 387	

4.5. Receivables

4.5.1. Trade receivables (ths CZK)

The standard contracted payment term is 60 days.

	Balance at 31.3.2018	Balance at 31.3.2017
Domestic trade receivables	14 911	351
Foreign trade receivables	517 145	561 423
Total (net of provision)	532 056	561 774

Aging of trade receivables

	Balance at 31.3.2018	Balance at 31.3.2017
Not yet due	259 575	369 496
Overdue	272 481	192 278
<i>thereof overdue more than 365 days</i>	<i>1 302</i>	<i>201</i>
Total (net of provision)	532 056	561 774

Bad debt provision

The company has recorded bad debt provision for overdue receivables in the amount of 486 ths CZK as at March 31, 2018.

4.5.2. Other long-term and short-term receivables

Other long-term receivables in the amount of 178 460 ths CZK are loans provided to the companies in the group. Other short-term receivables in the amount of 16 447 ths CZK interest receivable on loans given in the group as at March 31, 2018. The other long-term receivables as at March 31, 2017 were in the amount of 316 706 ths CZK– loans given in the group and short-term receivables in the amount of 244 855 ths CZK represented receivable from the sale of part of business and interest receivable on loans provided to other group companies.

4.6. Liabilities

4.6.1. Trade payables (ths CZK)

The standard credit term is 14 days.

	31.3.2018	31.3.2017
Domestic trade payables	69 927	85 628
Foreign trade payables	407 743	313 791
Total	477 670	399 419



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Aging of trade payables

	31.3.2018	31.3.2017
Not yet due	361 386	229 068
Overdue	116 284	170 351
<i>thereof overdue more than 365 days</i>		
Total	477 670	399 419

The company has not recorded any liabilities for social and health insurance which would not be settled till following month.

4.6.2. Long-term and short-term group liabilities

The company has no group liabilities as at March 31, 2018.

Group liabilities as at March 31, 2017 were as follows:



Long-term group liabilities

(ths CZK/USD)

Name	Currency	Amount in currency	Relation	Balance at 31.3.2017	Balance 31.3.2016
Glenmark Holding S.A.	USD	4 910	Mother company	124 135	813 202
- Loan interest					19 645
Total		4 910		124 135	832 847

Short-term group liabilities

(ths CZK/USD)

Name	Currency	Amount in currency	Relation	Balance at 31.3.2017	Balance 31.3.2016
Glenmark Holding S.A.	USD	34 230	Mother company	865 403	
- Loan interest		2 691		68 022	
Total		36 921		933 425	

Interest rate on loan from Glenmark Holding S.A. is calculated 5% p.a.

4.6.3. Liabilities due to employees

The company has recorded as at March 31, 2018 liabilities due to employees in the value of 2 907 ths CZK, particularly unpaid salaries for March 2018. Liabilities due to employees as at March 31, 2017 were recorded in the value of 2 518 ths CZK.

4.6.4. Tax payables

The company has recorded as at March 31, 2018 the taxes payable in the value of 515 ths CZK, thereof due for value added tax 324 ths CZK and due for personal income tax 134 ths CZK.

Taxes payable as at March 31, 2017 were recorded in the value of 377 ths CZK.

4.6.5. Accrued liabilities

The company has recorded as at March 31, 2018 accrued liabilities in the value of 6 728 ths CZK primarily for services related to the year ending March 31, 2018 which are not invoiced yet. Accrued liabilities as at March 31, 2017 were recorded in the value of 3 417 ths CZK.

4.7. Provisions (ths CZK)

	31.3.2018	31.3.2017
Provision for unspent holiday	1 751	1 599
Provision for MSA	176 387	113 956
Total	178 138	115 555

Provision for MSA is created for contribution to cover distribution costs related to the goods sold to distribution companies in the group in the current year. Distribution companies have these goods in stock at March 31, 2018. The provision ensures matching of expenses and revenues.

4.8. Contingent liabilities

There are no contingent liabilities at at March 31, 2018 which would not be recorded or disclosed appropriately.

The Company does not have any potential liabilities arising from the legal disputes.



4.9. Income from operations (ths CZK)

	2018	2017
Revenues – finished goods	306 199	283 318
Revenues – services	33 544	46 879
Revenues – merchandise	804 008	818 224
Proceeds from sale of tangible assets	1 965	237
Proceeds from sale of raw materials	3	70
Other income	77 786	9 554
Total	1 223 505	1 158 282

Revenues from sale of finished goods and services according to the geographical structure:

	2018	2017
Czech Republic	37 179	37 956
Slovak Republic	13 706	43 730
Poland	51 760	39 152
Germany	99 354	109 465
Romania	1 473	3 794
Great Britain	110 909	56 563
Sweden	13 706	-
Other	11 656	39 537
Total	339 743	330 197

Other operating income includes sales of distribution rights to Great Britain in the amount of 52 303 ths CZK as at March 31, 2018.

4.10. Expenses

Services

Services include primarily MSA costs, which are paid to the distribution companies as a contribution for compensation of costs connected with the sale of the regulated products, which are purchased by the distribution companies in the group of Glenmark.

Other operating expenses

Other operating expenses for the year ended March 31, 2018 in the value of 131 366 ths CZK, include mainly insurance charges, shortages, scrapping costs and cost of sale of distribution rights.

Glenmark Pharmaceuticals s.r.o.

For the year ended March 31, 2017 they amount to 30 611 ths CZK, and include mainly insurance charges, shortages and damages and factoring HSBC receivables.

4.10.1. Auditor remuneration

The company has concluded the agreement for audit services with Grant Thornton Audit, s.r.o., registered by Chamber of Auditors of the Czech republic as the authorized company with license no. 085, with seat Jindřišská 16, 110 00 Praha 1. Remuneration for the auditor amounts based on the signed agreement to 425 ths CZK.

4.10.2. Current and deferred tax

The company created tax loss for the financial year ended March 31, 2018.

The Company booked the deferred tax in the amount 152 788 ths CZK as at March 31, 2018; as at March 31, 2017 was posted deferred tax in the amount of 203 567 ths CZK.

Deferred tax (in ths CZK)	31.3.2018	31.3.2017
RV Tangible and intangible assets	12 022	5 681
Other provisions and adjustments	39 946	33 863
Accumulated tax losses	100 820	164 023
Total	152 788	203 567



5. STAFF COSTS

Average number of company employees as at March 31, 2018: 104, statutory representative wasn't employee of the Company.

Average number of company employees as at March 31, 2017: 98, 1 statutory representative included.

	31.3.2018 (in ths CZK)	31.3.2017 (in ths CZK)
Payroll costs	44 308	34 152
Social security and health insurance costs	14 407	11 332
Social costs	3 173	2 668
Total	61 888	48 152

6. POST BALANCE SHEET EVENTS

No significant events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.

